

CONTRACT TO AUDIT ACCOUNTS

OF

(GOVERNMENTAL UNITS AND/OR RECIPIENTS OF
GRANT FUNDS)

FOR THE PERIOD

FROM _____ TO _____

Please include current email information below. If your email information changes after this contract is approved, updated information should be submitted via the form located at:
<http://www.comptroller.state.tn.us/ma/forminst.htm>.

CPA's E-Mail Address:

Government's/Nonprofit's E-Mail Address:

(See Instruction # 10)

Contract Filing

☐ Electronically Filed

(the signed document was scanned into a digital document or a digital graphic or typed signature was used in the electronic contract)

☐ Paper Copy Filed

(See Instruction #2)

Report Filing

Copies of the audit report resulting from this contract are to be filed with the office noted below:

☐ Municipal Audit
(MA.Contracts@state.tn.us)

☐ County Audit
(CAcontract.Reports@state.tn.us)

(See Instruction # 9)

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CONTRACT TO AUDIT ACCOUNTS

of

(Name of Organization)

This agreement made this _____ day of _____, _____, by and between _____ (Auditor)

_____, hereinafter referred to as the "auditor"
(Full Address of Auditor)

and _____, of
(Name of Organization)

_____, hereinafter referred to as the "organization"
(Full Address of Organization)
(governmental unit or grant recipient), as follows:

1. In accordance with the requirements of the laws and/or regulations of the State of Tennessee, the auditor shall perform a financial and compliance audit of the financial statements of all funds of the organization for the period beginning _____, and ending _____ with the **exception of the funds listed below**.

2. The auditor shall conduct the audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and requirements prescribed by the Comptroller of the Treasury, State of Tennessee. If applicable, the audit is to be conducted in accordance with the provisions of the Single Audit Act and U.S. Office of Management and Budget (OMB) *Circular A-133*. The audit is also to be conducted in accordance with any other applicable federal management circulars. It is agreed that this audit will conform to standards, procedures, and reporting requirements established by the Comptroller of the Treasury. It is further agreed that any deviation from these standards and procedures will be approved in writing by the Comptroller of the Treasury prior to the execution of the contract. The interpretation of this contract shall be governed by the above-mentioned publications and the laws of the State of Tennessee.

3. The auditor shall, as part of the written audit report, submit to the organization's management and those charged with governance:

- a report containing an expression of an unqualified or modified opinion on the financial statements. (See Instruction 4) This report shall state the audit was performed in accordance with *Government Auditing Standards*, except when a disclaimer of opinion is issued. If the organization is a component unit or fund of another entity, it is agreed that: (a) the financial statements may be included in the financial statements of the other entity; (b) the principal auditor for the other entity may rely upon the contracted auditor's report; (c) any additional information required by the principal auditor of the other entity will be provided in a timely manner.
- a report on the internal control and on compliance with applicable laws and regulations and other matters. This report shall be issued regardless of whether the organization received any federal funding. Audit reports of entities which are subject to the provisions of the Single Audit Act and OMB *Circular A-133* shall include the additional report required by that circular. The reports will set forth findings, recommendations for improvement, concurrence or nonconcurrence of appropriate officials with the audit findings, comments on corrective action taken or planned, and comments on the disposition of prior year findings.

4. If a management letter or any other reports or correspondence relating to other matters involving internal controls or noncompliance are issued in connection with this audit, a copy shall be filed with the Comptroller of the Treasury. Such management letters, reports, or correspondence shall be consistent with the findings published in the audit report (i.e., they shall disclose no reportable matters or significant deficiencies not also disclosed in the findings found in the published audit report).

5. The auditor shall furnish printed copies and/or an electronic copy of the report to the organization's management and those charged with governance. It is anticipated that the auditor's report shall be filed prior to _____, but in no case, shall be filed later than six (6) months following the fiscal period to be audited, without prior written explanation to the Comptroller of the Treasury, State of Tennessee and the organization. The auditor shall file one (1) electronic copy (See Instruction 12) of said report with the Comptroller of the Treasury, State of Tennessee, and with the appropriate officials of the granting agencies listed below. Requirements for additional copies should also be addressed as follows:

6. The auditor agrees to retain working papers for no less than five (5) years from the date the report is received by the Department of Audit. In addition, the auditor agrees that all audit working papers shall, upon request, be made available in the manner requested by the Comptroller for review by the Comptroller of the Treasury or the Comptroller's representatives, agents, and legal counsel, while the audit is in progress and/or subsequent to the completion of the report. Furthermore, at the Comptroller's discretion, it is agreed that the working papers will be reviewed at the office of the

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auditor, the entity, or the Comptroller and that copies of the working papers can be made by the Comptroller's representatives or may be requested to be made by the firm and may be retained by the Comptroller's representatives.

7. Any reasonable suspicion of fraud, such as defalcation, misappropriation, misfeasance, malfeasance, embezzlement or other illegal acts shall be reported by the auditor, **in writing immediately upon discovery**, to the Comptroller of the Treasury, State of Tennessee, who shall under all circumstances have the authority, at the discretion of the Comptroller, to directly investigate such matters. If the circumstances disclosed by the audit call for a more detailed investigation by the auditor than necessary under ordinary circumstances, the auditor shall inform the organization's management and those in charge of governance in writing of the need for such additional investigation and the additional compensation required therefor. Upon approval by the Comptroller of the Treasury, an amendment to this contract may be made by the organization's management and those charged with governance and the auditor for such additional investigation. (See Instruction 14)

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8. (Special Provisions)

9. In consideration of the satisfactory performance of the provisions of this contract, the organization shall pay to the auditor a fee of _____ (Fees may be per diem or fixed amounts. If per diem, an estimated gross fee should be furnished to the governing unit for budgetary purposes. A schedule of such per diem fees should be set forth below. Interim billings may be arranged with consent of both parties to this contract.) Provision for the payment of fees under this agreement has been or will be made by appropriation of management and those charged with governance. Fees under this agreement shall not include anything other than audit charges.

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(Estimated gross fee: _____)

SCHEDULE OF PER DIEM FEES:

10. As the auditor and authorized representative of the firm, I do hereby affirm that our office is currently registered with the State Board of Accountancy and our organization has participated in an external quality control review at least once every three (3) years, conducted by an organization not affiliated with our firm, that a copy of our most recent external quality control review report has been provided to the organization, and that all members of the staff assigned to this audit have obtained the necessary hours of continuing professional education required by *Government Auditing Standards*. (Refer to instruction 8). In addition, as the auditor I also affirm that all auditors participating in the engagement are independent under the requirements of the AICPA and *Government Auditing Standards*.

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11. This writing, including any amendments, contains all terms of this contract. There are no other agreements between the parties hereto and no other agreements relative hereto shall be enforceable, unless entered into in accordance with the procedures set out herein and approved by the Comptroller of the Treasury, State of Tennessee. If digital signatures, as defined in Instruction 2 of this contract, are used in this contract, all parties agree that they are acceptable as provided for in the Uniform Electronic Transaction Act.

Audit Firm

Governmental Unit or Grant Recipient

Print or Type Signature Name

Print or Type Signature Name

By _____

By _____

Signature

Signature

Title/Position: _____

Title/Position: _____

Date: _____

Date: _____

Approved by the Comptroller of the Treasury, State of Tennessee

For the Comptroller:

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By _____

Date: _____

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INSTRUCTIONS
Contract to Audit Accounts

1. All contracts for auditing financial statements between an auditor and any governmental entity or private or nonprofit organization receiving funds from the State of Tennessee require the prior approval of the Comptroller of the Treasury, State of Tennessee. (Such approval is not required for system improvement and similar services of a non-audit nature.)

2. If a paper version of the contract is used, the contract should be executed in triplicate and submitted to the Comptroller of the Treasury, State of Tennessee -- for municipalities, school activity and non-centralized cafeteria funds, charter schools, utility districts, housing authorities, or for private or nonprofit organizations to the Division of Municipal Audit; and for counties, county related entities, and emergency communication districts to the Division of County Audit., as noted below:

Division of County Audit
Suite 1500, James K. Polk Building
Nashville, Tennessee 37243-0269

Division of Municipal Audit
Bank of America Plaza
414 Union Street, Suite 1100
Nashville, Tennessee 37219-1718

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If an electronic version of the contract is used, the electronic contract should be should be digitally signed using a digital representation of a written signature (digital graphic signature), or a typed signature should be entered, or the completed paper copy should be scanned and converted to an electronic document. The completed document should be emailed to the Comptroller of the Treasury, State of Tennessee -- for municipalities, school activity and non-centralized cafeteria funds, charter schools, utility districts, housing authorities, or for private or nonprofit organizations to the Division of Municipal Audit; and for counties and county related entities to the Division of County Audit., as noted below:

Division of County Audit
CAcontract.Reports@tn.gov

Division of Municipal Audit
MA.Contracts@tn.gov

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3. Upon approval by the Comptroller of the Treasury, State of Tennessee, one contract will be returned to the organization, one forwarded to the auditor, and one retained by the Comptroller of the Treasury. The audit should not be started before the contract is approved.

4. The auditor's opinion shall be expressed on each of the opinion units which collectively comprise the basic financial statements. The organization may require the auditor to express an opinion on the basic financial statements and on combining and individual fund financial statements presented as supplementary information. Reference: AICPA Audit and Accounting Guide -*Audits of State and Local Governments*. The auditor and the organization should contemplate an unqualified opinion on the basic financial statements, and any limitations or restrictions which would lead to a qualification should be fully explained. If an auditor anticipates issuing a disclaimer or an adverse opinion on a governmental entity's financial statements due to an incomplete presentation under GASB Statement 34 or for any other reason, the auditor should contact the appropriate division, ie, the Division of County Audit or the Division of Municipal Audit. for guidance concerning financial statement presentation.

5. The responsibility of the auditor for funds not covered under the contract should be set forth in Paragraph 1, and the assistance and information that is to be furnished by the organization should be set forth in Paragraph 11 of the contract. An addendum may be used where additional space is required.

6. If, after being approved, the contract is modified by either of the parties, the modification must be reduced to writing and submitted to the Comptroller of the Treasury, State of Tennessee, for approval. No change shall be effective unless approved by the Comptroller. If a paper contract is filed, original signatures are required on all copies of the contract. Retyped copies of this contract will not be approved. However, photo copies are permissible.

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7. The scope of the audit should be clearly stated and the fee stated so the amount can be easily determined. A separate contract is not necessary for each division within an organization. The fee should be so stated that the amount to be paid by each unit is easily determined.

8. The number of copies (specified in paragraph 8 of the contract) of the report of audit and any other written report by the auditor shall be filed with the Comptroller of the Treasury, State of Tennessee, when (or prior to) submitting a final invoice to the entity for services rendered. These reports, as filed with the Comptroller of the Treasury, State of Tennessee, become a matter of public record and are available for inspection.

9. Any firm submitting contracts to audit for approval should file a electronic copy of the firm's most recent external quality control review report and related letter of comment, as applicable, with the Comptroller of the Treasury. An electronic copy of the most recent external quality control review report should be on file with the Comptroller of the Treasury before contracts to audit can be approved.

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10. The shaded box labeled Contract Filing and Report Filing on the front of this contract identifies the division of the Department of Audit with which the audit report must be filed. The *Audit Manual for Local Governmental Units and Recipients of Grant Funds* published by the Comptroller of the Treasury provides for specific reporting requirements for each division. The auditor should refer to the manual for guidance on these requirements prior to submission of the report. If the division marked is incorrect, a digital stamp will be used by the Department of Audit to identify the proper division to file the audit report with.

11. Both the auditor and the entity are responsible for filing updated contact information with the Comptroller's Office, including email addresses, phone numbers, postal address, etc. To submit any changes, please access our web site at:

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<http://www.comptroller.state.tn.us/ma/maforms.htm>

If the organization does not have internet access, please contact the appropriate division to obtain a form and mail the completed form to the address in instruction 2.

Comment [CT1]: I have an email in to find out about updating this form to include County Audit and to make it a generic site like confirmations.

12. Any amendment is subject to the same approval process as the original contract. No work should begin until the amendment is signed by all parties. For an example amendment, please access our web site at <http://www.comptroller.state.tn.us/ma/maforms.htm>.

13. ~~When submitting an electronic copy of the audit report, please note that files larger than 15MB will have to be transmitted on a compact disc or DVD. Files up to 15MB may be emailed to the same address listed in Instruction 2 or transmitted on a compact disc or DVD. The electronic copy should be accompanied by a transmittal letter or notation that identifies the electronic copy as the official copy of the audit report. In addition, the electronic copy should be filed as a single document rather than several individual files.~~

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This report shall state the audit was performed in accordance with *Government Auditing Standards*.

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This report shall state the audit was performed in accordance with *Government Auditing Standards* and in accordance with OMB *Circular A-133*. Any other applicable federal management circulars shall also be referenced in this report.

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5. The auditor shall make a written report, which shall be a part of the written report of audit, to the organization's governing body setting forth findings, recommendations for improvement, concurrence or nonconcurrence of appropriate officials with the audit findings, comments on corrective action taken or planned, and comments on the disposition of prior year findings. These findings and recommendations shall either be part of the report on internal control and compliance with applicable laws and regulations and other matters, described in paragraph 4, or they shall be incorporated by reference in the report.

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7. Instances of noncompliance which are not related to federal funds (reporting noncompliance related to federal financial assistance is addressed in OMB *Circular A-133*) should be reported in accordance with *Government Auditing Standards*. If any other instances of noncompliance or other matters are communicated to management in writing, this communication shall be disclosed in the report on internal control and compliance and a copy submitted to the Comptroller of the Treasury.

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be filed with the printed copy, but the electronic copy may not replace the printed copy)

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The auditor shall, for all Municipalities and Emergency Communications Districts, file two (2) printed copies of said report. In certain instances, additional copies of the report may be required to be filed with the Comptroller.